Hindustan Aeronautics Limited

January 6, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term/Short-term Bank Facilities	2,500	**CARE AAA; Stable /CARE A1+ (Triple A; Outlook: Stable/ A One Plus)**	**Reaffirmed**
Total facilities	**2,500 (Rupees Two Thousand Five Hundred crore only)**		

Details of instruments/facilities in Anneuxre-1

The ratings assigned to the bank facilities of Hindustan Aeronautics Limited (HAL) continues to derive strength from its strategic importance as the core aviation equipment supplier to the Indian Defense sector with complete ownership by Government of India (GoI), integrated presence through design, development, manufacturing, maintenance & overhaul of aviation products as well as its strong financial risk profile backed by assured margin structure and significant advance funding by customer and milestone payments resulting in negligible borrowings and robust liquidity. The ratings also take note of HAL's high dependency upon Indian Defense sector and the buyback of 12.05 crore of shares by HAL from GOI which led to decline in paid up share capital of the company from Rs. 482 crore to Rs. 361.5 crore.
Going forward, the company maintaining its strategic position amidst any likely competition in the long term would be a key rating sensitivity

HAL is promoted and wholly owned by Government of India (GoI). HAL plays a strategic role in India's defence programme being the only Indian company having specialization in aircraft manufacturing and providing its Maintenance, Repair and Overhauling services (MRO). Company's competitive position is strong being GoI's prime defence contractor and supported by defence outlays by GoI.

Over the years, HAL has developed its capability to operate under entire value chain of the production right from design, development, manufacturing, maintenance, repair and overhaul of aviation products. HAL has entered into license agreements with various international companies from Russia and Europe for transfer of technologies.

HAL's financial risk profile is backed by assured margin structure and significant advance funding by customer and milestone payments resulting in negligible borrowings and robust liquidity. The company receives 10% of the order value as advance payment while remaining amount as milestone payments depending upon the progress of the order book. These healthy customer advances has helped company in executing its projects and funding its R&D expenditure without relying on debt.

Analytical Approach Followed – Standalone

Applicable Criteria
CARE's methodology for manufacturing companies
CARE's methodology for Short-term Instruments
Criteria on assigning Outlook to Credit Ratings
CARE's policy on Default Recognition
Financial Ratios-Non Financial Sector

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Company Background

HAL (CIN: U35301KA1963GOI001622), a Navratana Company, is wholly owned by Government of India (GoI). Incorporated in 1964 by amalgamation of Hindustan Aircraft Limited and Aeronautics India Limited, HAL is into carrying out design, development, manufacture, repair and overhaul of aircraft, helicopter, engines and related systems like avionics, instruments and accessories primarily serving Indian defence programme. It also manufactures the structural parts of various Satellite Launch Vehicles of the Indian Space Research Organization (ISRO).

HAL posted net profit (after tax) of Rs.1,654 crore in FY16 (refers to the period April 1 to March 31) on a total operating income of Rs.18,498 crore as against net profit of Rs.2,388 crore on total operating income of Rs.18,067 crore in FY15..

Status of non-cooperation with previous CRA: ICRA had suspended the rating of HAL due to lack of co-operation from the company.

Rating History (Last three years): Please refer Annexure-2

Analyst Contact
Name: Karthik Raj K
Tel: 080-46625527
Mobile: 9980562244
Email: karthik.raj@careratings.com

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit Assessment Institution (ECAI)* by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1

Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
LT/ST Fund-based/Non Fund Based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	2500.00	CARE AAA; Stable / CARE A1+

Annexure-2
Rating History (Last three years)

		Current Ratings			Chronology of Rating history for past three years		
Sr. No.	**Name of the Instrument/Bank Facilities**	**Type**	**Amount Outstanding (Rs. crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2015-2016**	**Date(s) & Rating(s) assigned in 2014-2015**	**Date(s) & Rating(s) assigned in 2013-2014**
1.	LT/ST Fund-based/Non Fund Based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	2500.00	CARE AAA; Stable / CARE A1+	-	-	-

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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